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South Africa, Republic of

Grain and Feed

Monthly Update

2004

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Report Highlights:
South Africa's MY2004/05 corn crop is now estimated at 7.9 million tons compared to the 9.7 million tons produced in the previous season. The decrease is mainly due to a cutback in planted area. The local industry operates in a free market with unhindered trade flows. In the marketing year that ended April 30, 2004, about 464,000 tons were imported while over 1.1 million tons were exported. Wheat imports also continue unabated.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Pretoria [SF1]
[SF]

Summary

South Africa's 2003 corn crop (2003 indicating the year of planting) is currently officially estimated at 7.9 million tons, 875,000 tons more than the initial estimate made in February. The 12.5% increase is indicative of the generally more favorable conditions over the second half of the season. Harvesting is in progress and indications are that the estimate may even increase further. South African supplies will be adequate for local needs but with the free market imports of especially yellow corn and exports of mainly white will continue.

At this stage it is expected that wheat plantings will increase to 886,000 hectares this year after only 748,000 hectares were planted in 2003. This could lead to a crop in excess of 2 million tons compared to the 1.5 million tons produced last year. At this stage there are some concern about the lack of rain in the Western Cape. High levels of imports are expected to continue.

www.sagis.org.za
www.grainsa.co.za
www.safex.co.za
www.fews.net
www.wfp.org
www.grains.org
www.pecad.fas.usda.gov

CORN

PSD Table

Country	**South Africa**					
Commodity	**Corn**					
1000 Hectare	2002	Revised	2003	Estimate	2004	Forecast
1000 Metric tons	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin		05/2003		05/2004		05/2005
Area Harvested	3650	3650	3000	3005	3500	3300
Beginning Stocks	1943	1945	2318	2460	1118	1200
Production	9675	9675	7800	7900	9300	9000
TOTAL Mkt. Yr. Imports	450	465	700	490	500	300
Oct-Sep Imports	617	617	700	450	500	275
Oct-Sep Import U.S.	21	21	0	0	0	0
TOTAL SUPPLY	12068	12085	10818	10850	10918	10500
TOTAL Mkt. Yr. Exports	1100	1125	1000	1100	1000	1000
Oct-Sep Exports	1141	1141	1000	850	1000	950
Feed Dom. Consumption	4100	4000	4100	4025	4100	4050
TOTAL Dom. Consumption	8650	8500	8700	8550	8700	8600
Ending Stocks	2318	2460	1118	1200	1218	900
TOTAL DISTRIBUTION	12068	12085	10818	10850	10918	10500

Production

The fourth official estimate of South Africa's 2003 corn crop was released on May 20, 2004 (2003 referring to the year of planting). The total crop is estimated at about 7.9 million tons, 18.4% less than the 9.7 million 2002 crop, mainly due to a decline in area planted. In spite of a late start to the rainy season, and a December/January dry spell, the average yield is expected to decline by less than 1%. Since the first estimate was made on February 19, rainfall has improved considerably and the fourth estimate shows an increase of 875,000 tons, or 12.5% on the initial estimate. The fourth estimate follows:

Crop	FAS 2002	MY 03/04		FAS 2003	MY 04/05	
Corn	Area	Yield	Production	Area	Yield	Production
Commercial	'000 ha.	Mt./ha.	'000 mt.	'000 ha.	Mt./ha	'000 mt.
White	2232	2.85	6366	1728	2.70	4666
Yellow	953	3.17	3026	918	3.27	3004
Total	3185	2.95	9391	2646	2.90	7671
Developing						
White	368	0.60	221	282	0.61	171
Yellow	98	0.66	65	79	0.72	57
Total	466	0.61	286	361	0.63	228
Total corn						
White	2600	2.53	6587	2010	2.41	4837
Yellow	1418	2.18	3091	997	3.07	3061
Total	3651	2.65	9678	3007	2.63	7899

The most significant feature of the latest estimate is that the average yield of the commercial crop decreased by 1.7% compared to the previous season, in spite of the difficult growing conditions. The yield of the yellow corn crop is actually expected to surpass the yield attained in 2002. The main, market related reason for the smaller crop was the 540,000-hectare, 17.7%, decrease in the area planted in response to market and weather factors. As harvesting continue the crop size is expected to increase further.

Consumption

Commercial deliveries, that is corn delivered to the silos according to the South African Grain Information Service (SAGIS), forms the basis of the commercial supply and distribution.

To correlate the commercial S&D with a specific crop we use the March to February deliveries and not the formal May to April marketing year. The March and April deliveries are then deducted from the May 1 carry over and added to the new season's deliveries. Imports for re-exports, and the relevant stocks, are incorporated in the figures.

The current and forecasted commercial PS&D's are summarized below:

FAS 2002 est.	My 2003/04		
'000 Metric tons	White	Yellow	Total corn
Beginning stocks	1265	680	1945
Estimate	6365	3025	9390
Delivery, March/Feb	6200	2770	8970
Retentions	165	255	420
Imports	60	405	465
Total Supply	7525	3855	11380
Export	1015	110	1125
Dom. Disappearance	4455*	3340	7795
Ending stocks	2055	405	2460

FAS 2003 forecast	My 2004/05		
'000 Metric tons	White	Yellow	Total
B/Stocks	2055	405	2460
4th Crop est.	4666	3004	7670
Farm retentions	166	254	420
Deliveries	4500	2750	7250
Imports	45	445	490
Total supply	6600	3600	10200
Exports	1000	100	1100
Dom. Disappearance	4500*	3400	7900
Ending stocks	1100	100	1200

* Including 400 to 500,000 tons of white corn used for feed.

Trade

Trade in whole corn during the May 03/April 04 marketing year is shown in the following table. It contains imports for re-export, including 27,000 tons of white corn from the US, and exports from corn imported earlier.

1000 Metric tons	White Corn	Yellow corn	Total whole grain
IMPORTS	MY May 03/April 04		
From: USA	60	8	68
Argentina	0	388	388
China	0	8	8
Total	60	404	464
EXPORTS			
Botswana	140	2	142
Lesotho	124	6	130
Namibia	103	19	122
Swaziland	29	26	55
Total Customs Union	396	53	449
Zimbabwe	397	16	413
Zambia	7	0	7
Mozambique	84	6	90
Angola	15	0	15
Kenya	48	0	48
Tanzania	35	0	35
Senegal	0	3	3
Madagascar	10	2	12
Cape Verde	14	15	29
Mauritius	0	1	1
Japan	0	10	10
TOTAL	1 006	106	1 112

The data above, compiled on a weekly basis, correlate very well with the SAGIS seasonal figures:

SAGIS imports	33	408	441
+ for export	27	0	27
Total	60	408	468
Exports	1,004	92	1,096
+ imports for export	11	19	30
TOTAL	1,015	111	1,126

The main point is that South Africa again exported more than 1.1 million tons in MY2003/04, very similar to the 2002/03 exports.

The second point is that only about 50,000 tons were exported overseas, with only 10,000 tons going to Japan and the rest going to nearby islands.

More than a million tons, 980,000 tons of white and 80,000 tons of yellow, were exported overland to African states, of which a high proportion needed to be GMO free. For the first time we are also able to trace actual sales to the Customs Union partners (the BLNS countries).

EXPORTS			
Botswana	140	2	142
Lesotho	124	6	130
Namibia	103	19	122
Swaziland	29	26	55
Total Customs Union	396	53	449

Historically these sales were considered part of the domestic market. We have previously estimated these sales between 400,000 and 600,000 tons depending on the season.

Mozambique, not part of the Customs Union, takes about 90,000 tons annually so South Africa can at least bank on exports of more than 500,000 tons annually.

The most remarkable figure in the table is the 413,000 tons that went to Zimbabwe including 397,000 tons of white and 16,000 tons of yellow corn. Zimbabwe had to purchase the bulk of the shipments, which is hard to believe given the state of the economy. The figure does include food aid shipments bought with donor funds as Zimbabwe insists on GMO free whole corn. GMO corn donations had to be milled before delivery and are not included in the whole corn trade figures.

Prices

Although the crop and consumption estimates have settled, implying a major white corn surplus and a yellow corn shortage, prices on SAFEX are still fluctuating. The main determinant in the market seems to be the exchange rate as the supply and distribution situation is clear and the regional export market potential the only other unknown. The market does not seem to be perturbed by the 2.5 million tons of unutilized old crop stocks lying in the silos at the end of April 2004 with the new crop deliveries picking up. It is interesting that the Government is considering the idea of a strategic reserve while the market has held carry over stocks of around 2 million tons over the past few seasons.

The following table contains the details:

Futures prices	May 2004	July 2004	September 2004	December 2004
White corn/mt.				
12/30/03	R1174 = $177.9	R1190 = $180.3	R1219 = $184.7	
01/29/04	R1467 = $213.5	R1500 = $218.3	R1518 = $221.0	
02/27/04	R1194 = $179.3	R1225 = $183.9	R1245 = $186.9	R1285 = $192.9
03/26/04	R1077 = $165.4	R1103 = $169.4	R1134 = $174.2	R1168 = $179.4
04/30/04	R1121 = $163.6	R1150 = $167.9	R1166 = $170.2	R1202 = $175.5
05/26/04		R1069 = $160.7	R1091 = $164.1	R1130 = $169.9
Yellow corn/mt.				
12/30/03	R1162 = $176.0	R1135 = $172.0	R1135 = $172.0	
01/29/04	R1370 = $199.4	R1346 = $195.9	R1371 = $199.6	
02/27/04	R1255 = $188.4	R1217 = $182.7	R1243 = $186.6	R1285 = $192.9
03/26/04	R1160 = $178.2	R1134 = $174.2	R1150 = $176.7	R1175 = $180.5
04/30/04	R1165 = $170.1	R1160 = $169.3	R1178 = $172.0	R1196 = $174.6
05/26/04		R1080 = $162.4	R1103 = $165.9	R1123 = $168.9
Wheat/mt.				
12/30/03	R1633 = $247.4	R1649 = $249.8	N/a	
01/29/04	R1760 = $256.2	R1782 = $259.4	N/a	
02/27/04	R1765 = $265.0	R1773 = $266.2	N/a	R1740 = $261.3
03/26/04	R1730 = $265.7	R1739 = $267.1	N/a	R1652 = $253.8
04/30/04	R1766 = $257.8	R1770 = $258.4	R1765 = $257.7	R1630 = $238.0
05/26/04			R1680 = $252.6	R1602 = $240.9

Wheat

PSD Table

Country	South Africa					
Commodity	**Wheat**					
1000 Hectare	2002	Revised	2003	Estimate	2004	Forecast
1000 Metric ton	USDA Official [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin		10/2002		10/2003		10/2004
Area Harvested	941	941	748	748	850	886
Beginning Stocks	587	588	898	897	576	535
Production	2320	2387	1428	1540	2125	2100
TOTAL Mkt. Yr. Imports	871	870	1200	1200	900	900
Jul-Jun Imports	1024	1018	1200	1200	900	850
Jul-Jun Import U.S.	63	63	0	600	0	500
TOTAL SUPPLY	3778	3845	3526	3637	3601	3535
TOTAL Mkt. Yr. Exports	310	310	300	350	300	325
Jul-Jun Exports	331	328	300	320	300	300
Feed Dom. Consumption	10	12	10	30	10	30
TOTAL Dom. Consumption	2570	2638	2650	2752	2660	2765
Ending Stocks	898	897	576	535	641	445
TOTAL DISTRIBUTION	3778	3845	3526	3637	3601	3535

Production

Farmers have started planting the 2004 winter wheat crop and early indications are that the area to be planted could reach 886,000 hectare, more than 18% larger than in 2003 but about 6% less than in 2002. As soil moisture in the Free State is favorable and the winter rainfall season in the Cape has started, climatic conditions favor bigger plantings. The problem is that price expectations are poor which may be the limiting factor. The first meaningful estimates will only be available next month.

Deliveries from the 2003 crop amount to about 1.5 million to date, surpassing the earlier estimates again. Consumption is also showing growth to about 2.75 million tons which means that imports continue. The following tables summarize the trade situation to date:

Wheat imports	October 4, 2003 to	May 28, 2004	
Metric tons	For South Africa	Transshipments	Total
From the US	332,231	112,033	444,264
Canada	0	13,586	13,586
Germany	12,199	3,873	16,072
United Kingdom	22,420	0	22,420
Australia	183,524	0	183,524
Argentina	70,765	21,525	92,290
TOTAL	621,139	151,017	772,156

To date the US enjoys 57.5% market share followed by Australia with about 24%.

Wheat exports, October 4, 2003 to	May 28,2004, Metric tons
Botswana	72,773
Lesotho	61,950
Namibia	8,768
Swaziland	22,882
Total Customs union	166,373
Zimbabwe	35,097
Zambia	17,954
TOTAL	219,424

While the grain imports continue indicative import parity prices gives us a reason.

Indicative Import Parity Prices:

July 2004	US HRW #2 wheat	Argentina Corn	US #3Y Corn
FOB Gulf value $/ton	150.46	121.00	131.59
Freight(20-30,000) $	51.00	45.00	51.00
Insurance $/ton	0.45	0.36	0.39
CIF $/ton	201.91	166.36	182.98
Rand/ton @ 6.5	1312.44	1081.36	1189.39
Financing cost R/ton	12.41	10.22	11.24
Discharging cost R/t	92.02	92.02	92.02
Import tariff	Free	Free	Free
FOR Durban R/ton	1416.87	1183.60	1292.65
SAFEX Randfontein	1670.00	1071.00	1071.00

The SAFEX corn futures prices ex Randfontein are lower than the coastal landed prices, but higher for wheat and, while the Randfontein - Durban freight rate is at least R145/ton, there is obviously scope to import grain especially into the coastal areas.